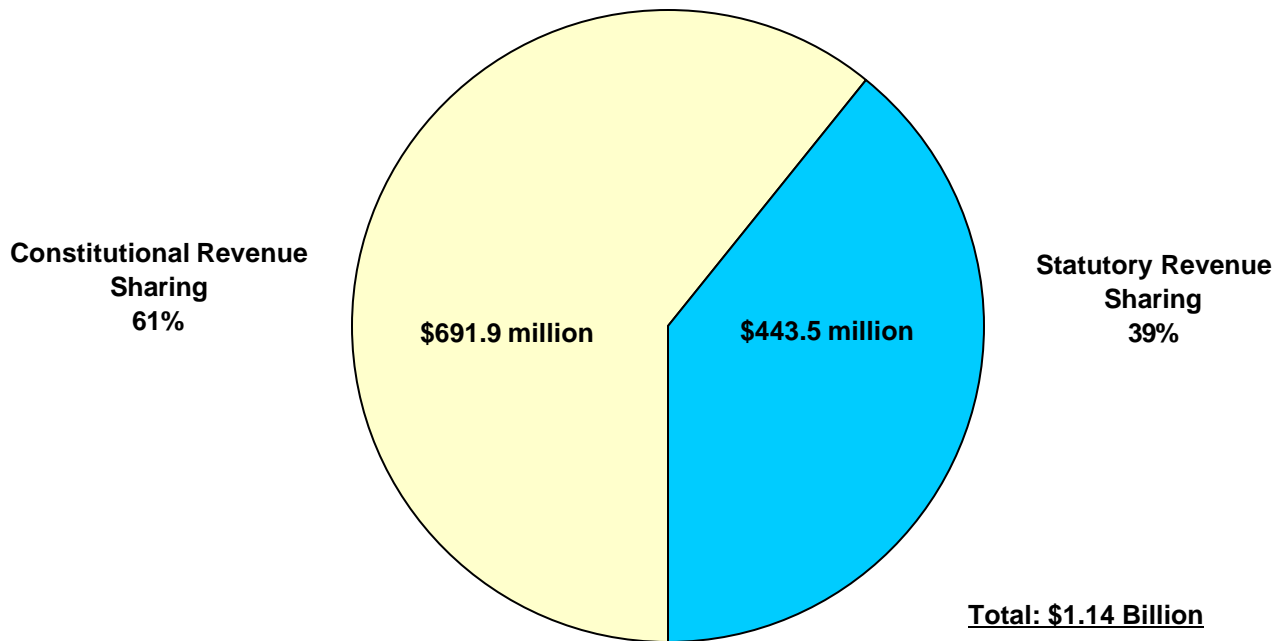


Revenue Sharing

Administered by the Department of Treasury, Michigan's revenue sharing program provides unrestricted financial support to local units of government, allowing communities to determine how best to fund local services. There are two ways that local units share in a portion of sales tax revenue: a constitutionally-dedicated portion is distributed to cities, villages and townships based on a community's population; an additional portion of sales tax revenue is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. Funding for fiscal year 2005 is recommended at \$1.14 billion, which includes \$691.9 million for constitutionally required revenue sharing payments and \$443.5 million for statutory revenue sharing payments to cities, villages and townships.

Nearly Two-Thirds of All Revenue Sharing Payments are Constitutionally-Dedicated



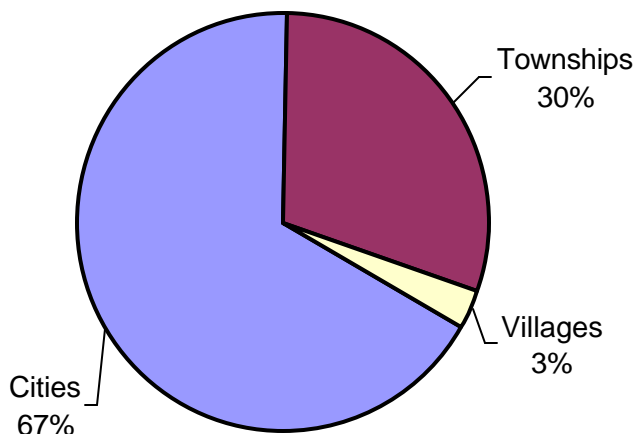
Revenue Sharing Budget Highlights

- ◆ For fiscal year 2005, Governor Granholm recommends overall revenue sharing payments equivalent to the fiscal year 2004 spending level for cities, villages and townships. Cities that have an emergency financial manager will be eligible for funding under a \$1.5 million general fund grant program, continuing fiscal relief from revenue sharing reductions contained in Executive Order 2003-23.
- ◆ The Governor also proposes to modify the property tax collection structure in 2004, by permanently shifting the county property tax levy from December to July each year. The estimated additional county revenue generated by changing the property tax collection structure is \$1.42 billion, providing enough revenue to suspend county revenue sharing payments in 2004 and beyond. Each county will be required to hold this revenue in reserve to be annually expended in lieu of state revenue sharing payments. State payments to counties will resume in the first year in which a county's property tax revenue reserve is less than the county would have otherwise received in state revenue sharing payments.

Suspending county revenue sharing payments in fiscal year 2005 allows \$183.5 million to be redirected to other areas of the state budget. An equivalent amount is available each year through fiscal year 2009, when it is estimated that four counties will become eligible for renewed revenue sharing payments. Revenue sharing payments will continue to be phased in through fiscal year 2027.

- ◆ The Governor also recommends that the revenue sharing statute be changed to require that a portion of the revenue sharing appropriation be used for payments-in-lieu-of-taxes to local units of government for lands owned by the Department of Natural Resources. The state's obligation for these tax payments, estimated to be \$7.5 million in 2005, will be paid from the revenue sharing appropriation. The remainder of the revenue sharing funds will be distributed as unrestricted financial support to cities, villages and townships. This change results in savings for the state general fund as well as for state restricted funds, including Game and Fish funds, Natural Resources Trust Fund revenues, and Waterways funds. These fee-supported funds, all managed by the Department of Natural Resources, can be reinvested in conservation and recreational activities more consistent with the purpose for which the fees were originally collected.

Fiscal Year 2005 Recommended Revenue Sharing Distribution



Fiscal Year 2005 Governor's Recommendation			
Revenue Sharing (\$ in Thousands)			
	FY03 Appropriation	FY04 Current Law	FY05 Recommended
GF/GP	\$0.0	\$0.0	\$0.0
All Funds	\$1,470,500.0	\$1,335,824.2	\$1,135,400.0
	% Change - GF/GP	0.0%	0.0%
	% Change - All Funds	-9.2%	-15.0%

[illegible]

